



Official Minutes from the October 13, 2016 MCC Advisory Council Meeting

Millennium Challenge Corporation
 Franklin Court A and B
 1099 14th Street, NW, Washington DC
 October 13, 2016
 8:30 am – 1:45 pm

Agenda

8:00 am – 8:30 am	Coffee and pastries
8:30 am	Call to Order Kyeh Kim, Acting Vice President, Department of Compact Operations
8:45 am	Welcome and Introductory Remarks Dana Hyde, Chief Executive Officer
9:15 am	The Nuts and Bolts of MCC Jonathan Nash, Deputy Vice President for Infrastructure, Environment and Private Sector, Department of Compact Operations
9:45 am	What's NEXT for MCC? Q&A with MCC Deputy CEO, Nancy Lee
10:00 am	Break
10:15 am	Exploring the Trends in a Dynamic Development Landscape Jake Grover, Sr. Policy Advisor, Department of Policy and Evaluation
11:15 am	The MCC Advisory Council: Your Role Alex Dixon, Sr. Director and Practice Lead, Finance, Investment and Trade Beth Roberts, Program Officer, Finance, Investment and Trade

12:00 pm	Project Snapshot: Benin Power Compact Sam Kwon, Sr. Director and Practice Lead, Energy
12:15 pm	Lunch Service
12:30 pm	Working Lunch: Optimizing MCC's Impact in the Benin Power Sector
1:30 pm	Concluding Remarks Jonathan Nash, Deputy Vice President for Infrastructure, Environment and Private Sector, Department of Compact Operations
1:40 pm	Opportunity for Public Comment
1:45 pm	Meeting Adjourns

Welcoming Remarks, Introductions

Kyeh Kim, Acting Vice President, Department of Compact Operations, opened the meeting and extended greetings to all members of the [Advisory Council](#). Acting VP Kim offered an overview of the formation of the Advisory Council, expressed her appreciation and thanks to MCC staff who worked to bring the Council to fruition and walked through the agenda for the meeting.

Acting VP Kim introduced Dana Hyde, MCC's Chief Executive Officer, who extended her greetings to members and offered introductory comments covering MCC's 12 years of operation, highlighting its uniqueness within the development community and singular focus on alleviating poverty through economic growth. CEO Hyde welcomed Council members and invited them to introduce themselves. CEO Hyde then turned the floor to Jonathan Nash, Deputy Vice President for Infrastructure, Environment and Private Sector in the Department of Compact Operations, to conduct the meeting.

The Nuts and Bolts of MCC

DVP Nash opened this session with an overview of the presentation – The Nuts and Bolts of MCC. He highlighted the purpose – to provide a bit of context, dive into the details of MCC's approach, and provide

an overview of MCC's investment strategy, where we work and how we measure our impact. Advisory Council members provided feedback on the presentation:

- Council members discussed the founding of MCC and noted the flexibility afforded MCC in its founding legislation. They encouraged MCC staff to revisit the legislation and continue to push the boundaries of development effectiveness through thoughtful and measured risk-taking and continuous innovation.
- Several Council members familiar with MCC's founding noted that MCC was established under strong bi-partisan support and that at the second board meeting, 16 countries were selected for compact and threshold development. "We were building the airplane as we were flying it."
- Underscored was the notion that private sector engagement has been the focus of all MCC CEOs and that now, with the Advisory Council, MCC is taking a big step in further strengthening sustainable relationships with the private sector.

What's NEXT for MCC?

DVP Nash invited Nancy Lee, MCC's Deputy CEO, to engage in a question and answer session on MCC's NEXT Strategy. DCEO Lee provided an overview of MCC's [NEXT Strategy](#), reviewing its five main goals:

1. Help countries choose evidence-based priorities in growth and poverty reduction strategies that reflect new learning and new opportunities.
2. Strengthen reform incentives and accountability.
3. Broaden and deepen public and private partnerships for more impact and leverage.
4. Lead on data and results measurement, learning, transparency, and development effectiveness.
5. Maximize internal efficiency and productivity. Maintain and motivate a world class, high functioning staff.

Discussion:

- Members asked questions relating to MCC's role in comparison to other US Government agencies such as OPIC, USAID, EXIM, USDA, et al. and the synergies across all development partners in ensuring the sustainability of MCC's investments.
- A Council member noted that although MCC's focus on data is one of its strengths, the way in which that data is presented, and made available to the private sector is often confusing and difficult to analyze. MCC should focus on how to present and package its valuable data for private sector use.
- MCC was also encouraged to improve the "how to work with us" section of the website and it was suggested that the Advisory Council may be able to provide some feedback.
- Other strengths noted were MCC's large grants, leveraging grants with private investment, sustainability, and the potential to have an impact on issues important to regional integration. MCC was encouraged to strengthen MCA stakeholder committees to better align MCC's work with country priorities while strengthening the sustainability of its projects.

- MCC was encouraged to pursue a “dig once” policy to promote the laying of fiber optic cable with its infrastructure investments. In noting the binding constraints to growth framework, the statistic was offered that a 10% increase in internet connectivity leads to a 1% growth in GDP. Kyeh Kim remarked that MCC is now thinking more broadly about ICT issues. She noted that while we currently do not have the expertise to fully engage on ICT issues, MCC has engaged consultants with the requisite expertise to help review its approach and – keeping in mind MCC’s data-driven model – take advantage of opportunities that exist in the ICT space.
- It was noted that some MCC countries are viewed by the private sector as small markets and small economies, which pose challenges for the private sector to engage fully. It was suggested that MCC has the potential to bring economies together through its various initiatives in a more catalytic role. Members noted the value and importance of leveraging private investments alongside the MCC grant funding.
- MCC can and should play a leadership role in sector transformation in its partner countries by developing a set of “play books” that can be replicated in other countries.
- It was also noted that MCC could play an important role in promoting Results Based Finance and creating financial instruments that are acceptable in the marketplace.

Exploring the Trends in a Dynamic Development Landscape

Jake Grover, Senior Policy Advisor in the Department of Policy and Evaluation, was introduced and offered an overview of the trends that MCC is following. He began his presentation by reviewing the improvements in poverty worldwide, noting that the number of those living in absolute poverty has decreased to less than 750 million. While poverty rates have decreased, the distribution of poverty has changed over time and challenges that were once unique to low income countries are now seen in low to upper income countries. Mr. Grover noted that many of the world’s poor are citizens of fragile states, which poses as interesting challenge for MCC, which only works with well-governed low and lower middle income partner countries, as defined by legislation. Mr. Grover then reviewed the Sustainable Development Goals and noted the challenge with financing the ambitious goals. He opened up the discussion:

- Members noted that systemic challenges exist in the world that could cause poverty to grow in the future. MCC should continue to focus on good performers to model behavior for others to follow.
- Members questioned whether MCC’s model would need to change in light of changing global demographics and the evolution of global poverty.
- MCC was encouraged to focus on investments aimed at sectoral transformation designed to accelerate change.
- The mix of financial instruments that MCC is able to offer was also questioned. It was noted that financial models rate equity and debt differently than grants, and MCC was encouraged to explore blended capital that could enhance or attract equity and debt investors.
- It was noted the tremendous progress that Brazil, Russia, India, China and South Africa, or “the BRICS,” have made over the past two decades with limited or no external development finance. They asked if MCC has studied what the BRICS have done right and what might be applicable for

partner countries.

- A member suggested and others concurred that MCC should consider setting a goal of shutting down by 2030 once the SDGs are met and poverty is eradicated.
- An Advisory Council Member challenged MCC to look for opportunities to take a “millennial” approach to development – moving toward a democratization of processes and no longer depending on institutions to solve problems, but instead focusing on social enterprises and technology to solve development issues.
- In an age of disruption and opportunity, MCC should seek to remain innovative. A member questioned whether MCC’s evidence-based approach might, in fact, stifle innovation in favor of perpetuating old models and crowding out emerging solutions. In the member’s view, MCC cannot expect to push forward the best solution if solely focusing on evidence-based solutions. The member noted that sometimes leap frogging is necessary and healthy.

The MCC Advisory Council: Your Role

Alex Dixon, Practice Lead Senior Director of the Finance, Investment and Trade team and Beth Roberts, Program Officer in the Finance, Investment and Trade team provided an overview of the Federal Advisory Committee Act, MCC’s expectations for the Council and members’ roles. They highlighted that the Council, like all FACA committees, is not a decision-making body and will only be asked to provide advice for MCC consideration. Finally members reviewed the bylaws, called for a motion and passed the bylaws. The bylaws were adopted by unanimous consent.

- A member inquired about the role of subcommittees, and Ms. Roberts informed her that the bylaws do allow for subcommittees and set basic parameters for their creation. It was enquired if everything discussed in the Advisory Council meetings would be public. Ms. Roberts and Mr. Dixon noted that all Advisory Council meetings are open to the public and comments voiced in the meeting should be considered “on the record”.

Project Snapshot: Benin Power Compact

Ellen Moran, Senior Operations Advisor, Energy Practice Group, provided an overview of the Benin Power Compact, including the compact development process. The \$375 million compact includes four components:

1. Reform and Institutional Strengthening – \$41 million
 - Policy, Regulatory and Institutional Support
 - Utility Strengthening
 - Public Information and Education
2. Generation – \$136 million
 - Construction of 45 MW of utility scale photovoltaic (PV) generation
 - Smaller scale hydro and thermal generation

3. Distribution – \$110 million

- Rehabilitation and reinforcement of existing electricity distribution infrastructure to improve reliability, reduce losses and strengthen grid monitoring.

4. Off-Grid Access – \$46 million

- The Off-Grid Clean Energy Facility (“OCEF”) Activity will increase access to electricity and leverage MCC funding through partnerships with private companies, NGOs, communities or other entities that demonstrate viable off-grid, clean energy solutions for Benin.
- The OCEF will offer grants in four stages:
 1. Critical public infrastructure to provide standalone electricity generation capability;
 2. Community and commune-level electricity generation and distribution such as mini-grids;
 3. Household energy services, such as renewable energy devices for individual families; and
 4. Energy efficiency measures for buildings, facilities, and installations.

MCC seeks to spur solar independent power producer (IPP) investments in Benin, but faces structural obstacles including a relatively small market size and elevated country investment risk. Therefore, MCC sought the Council’s advice on structuring an independent power producer (IPP) transaction in Benin to identify areas for further due diligence, inform the structure of the transaction and ensure that MCC’s grant funds most effectively leverage additional capital.

Working Lunch: Optimizing MCC’s Impact in the Benin Power Sector

Sam Kwon, Practice Lead/Senior Director (Acting) of the Energy Practice Group, facilitated the Council’s discussion on the Benin Power Compact over a working lunch.

Discussion:

- A paying off-taker, not necessarily a credit-worthy off-taker, for power generated is paramount for project success. The Government of Benin could pursue a similar structure of ring-fencing funds (from, in particular, large commercial or industrial consumers) for payments to independent power producers.
- Given the developments in the market for efficient energy storage batteries and the advantages of enhanced grid stability and reliability, MCC could use grant funds to buy-down the cost of energy storage – a pioneering effort.
- Even if MCC fully funds the first set of projects, structure the project to mimic an IPP deal, e.g., MCC grant used as government’s equity into the project company, with a power purchase agreement (PPA) between the project company and the offtaker to make the project attractive to private sector investors when refinancing or for the next set of projects. This arrangement can serve as an example as governments familiarize themselves with these practices and structures. Future projects would also likely be less expensive because they would be viewed as less risky once

a pilot project, with MCC equity, is proven successful.

- Although the scale is much more attractive, South Africa offers a strong model for IPPs.
- MCC can and should bring the Multilateral Investment Guarantee Agency (MiGA) and the World Bank into conversations as their insurance and counter-guarantee products help to mitigate Benin country risk.
- Size of projects were of concern. A competitive bid process or auction could be pursued (though, given only 82 MW is available at best, an auction is less likely to be viable). If a competitive process is pursued, all bidders should provide the financial model up front plus commitment letters from banks confirming financing structure.
- While the size of the projects initially may be too small for large, international banks and power companies, there are many local and regional banks in Africa in addition to private equity and venture capital funds that would be interested in a Benin project. Size, scale and country risk may not be such an issue for those with in-depth knowledge of the market and higher risk appetites.
- MCC was encouraged to consider site security and mobility of solar panels and batteries. A tracking system ensures security and makes the panels 25 percent more efficient. Simple maintenance is also important. Panels need to be washed. The performance of the panels degrades by at least 30 percent if they are not clean.
- A member highlighted that the costs of solar projects may be understated and encouraged revisiting the budget.
- It was suggested a subcommittee be formed comprising 4-5 individuals with experience and technical knowledge in structuring such transactions to provide advice to MCC that can be shared with the compact team and Millennium Challenge Account-Benin as the projects progress.
- Finally, a member reminded MCC of the role of innovation as a founding principle of MCC. The member encouraged those present to push limits, take risks and be innovative in designing these projects.

Concluding Remarks

DVP Jonathan Nash wrapped up the meeting and offered an overview of the overarching themes from the day. It was noted that MCC should:

- Take advantage of flexibility in legislation, think about ways to continue pushing the envelope and be “radical” in the international development space.
- Continue to develop an approach to regional investments, and consider ways to work at a sub-national level, with potential opportunities to engage with this group in the future on these topics.
- Better package MCC’s data in a way that is accessible and helpful to the private sector.
- Continue to use infrastructure and other large-scale investments as an incentive for difficult political reform in a space where political will is key.
- Seek out ways to use technology and innovative approaches to leap frog where possible and increase the impact of limited grant financing.
- Explore opportunities to set up subcommittees within the Advisory Council to focus on topics such as: (i) the Benin Compact, (ii) blended finance, (iii) innovation and technology, and (iv)

packaging MCC data to make it more user-friendly for the private sector.

Mr. Nash also noted upcoming MCC events:

Oct 27 – Nov 2: Partnerships and Innovation College: One of MCC’s annual forums that bring MCC and MCA counterparts together from specific practice groups. This college will focus on partnerships and innovation in our Compacts.

Nov 3: FY17 Scorecards released

Early December: December Board Meeting, during which FY17 eligibility decisions will be made.

Opportunity for Public Comment

A member of the public asked if there is any guidance regarding the MCC Advisory Council and if the activity of the Council will cause conflict of interest. Mr. Nash, and MCC’s General Counsel, Sarah Fandell, noted that there are guidelines set out by the Federal Advisory Committee Act (as noted in the session, “The MCC Advisory Council: Your Role”). Conflicts of interest are not foreseen, as the work of the MCC Advisory Council is advisory in nature, rather than decisional, and its meetings are open to the public.

Advisory Council Members Present:

- Aaron Bielenberg, McKinsey & Company
- Carolyn Campbell, Emerging Capital Partners
- Timothy Docking, IBM
- Joe Dougherty, Dalberg
- Megan Guy, The Nature Conservancy (by phone)
- Kenneth Hansen, Chadbourne & Parke, LLP
- Aubrey Hruby, Africa Expert Network; Atlantic Council
- Mima Nedelcovych, Initiative for Global Development
- Bob Prieto, Strategic Program Management, LLC
- Del Renigar, General Electric
- Alvin Rohrs, Enactus (retired)
- Mini Roy, Standard Chartered Bank
- Nilmini Rubin, Tetra Tech
- Alexander Sarac, Berwin Leighton Paisner
- Patricia Sheikh, Corporate Council on Africa
- Marta Urquilla, Beeck Center for Social Impact and Innovations, Georgetown University

Advisory Council Members Absent with Apologies:

- Manish Bapna, World Resources Institute
- Robert Dove, Carlyle Group
- Scott Eisner, US Chamber of Commerce

Annexes

- [MCC 101](#)
- [Overview of the MCC Compact](#)
- [Benin Power Compact Case Study](#)
- [Trends in the Global Development Landscape](#)
- [MCC Advisory Council – Your Role](#)
- [Benin Power Compact Overview](#)